

THE NEW YORK CLEARING HOUSE.

AMONG the great institutions of our country there is none more remarkable nor more full of interest than the New York Clearing House.

Every one who has now or ever had an account with a bank has heard of the Clearing House and has a vague idea of what it is, but very few, probably, are familiar with the exact nature of its functions.

To properly explain these functions we must go back to the year 1853, when the associated banks first organized the present Clearing House as an improvement on the then existing system, and show how the banks used then to exchange their checks. In 1853 the banks of New York had increased in number from 24 to 55. Each of these banks received daily from its depositors drafts and checks upon every other city bank, and also upon out-of-town banks. When the business of the day ended these checks were sorted, and various sums were found to be owing to each bank, and, in turn, the bank itself was a debtor to the other banks. Each bank, therefore, was compelled to maintain an elaborate system of book-keeping of accounts with the other banks.

Each morning the accounts of the day previous were made up, and 55 porters or messengers started out to make the exchanges—that is, each bank sent a representative to present to the other banks for payment the bills, checks, drafts, and other items held by it. Each messenger carried a pass-book, similar to that used now by every bank depositor. The paying-teller of the receiving bank took from the messenger the checks and entered the sum total on the credit side of the book; he then entered on the debit side the return exchange—that is, the checks he had received against the bank represented by the messenger. The messenger would then take his pass-book and hasten to the next bank. It often happened

that seven or eight messengers would arrive at the same bank simultaneously, thus causing much delay. This method of exchanging the checks generally took a messenger all day. It was also a very dangerous system, because many of the messengers were charged with the paying of debtor balances, and would draw gold and bank-notes at some banks and pay it at others. It is easy to see how complicated and confused this system was; in fact, as the banks increased in number the system was found to be intolerable, and various schemes were suggested to remedy it.

As early as the year 1841 Albert Gallatin, then President of the National Bank (now the Gallatin National), had suggested in a pamphlet the establishment of a clearing house in the city of New York similar to that which has been established in London since the latter part of the last century. Other banking men approved this idea, and several years later meetings of bankers were held, and finally at a more important meeting of bank officers in August, 1853, thirty-eight banks were represented, and the Clearing House was decided upon. The Committee on Organization comprised F. W. Edmunds, Cashier of the Mechanics' Bank; James Punnett, Cashier of the Bank of America; A. E. Silliman, Cashier of the Merchants' Bank; J. L. Everett, Cashier of the Broadway Bank; Richard Berry, Cashier of the Tradesmen's Bank; R. S. Oakley, Secretary. They reported a plan for simplifying the system of making exchanges and settling daily balances between the banks, and recommended the securing of a suitable room near Wall Street for the purposes of the Association. On October 3, 1853, a clearing room was secured at 14 Wall Street, and on October 11, 1853, the first exchanges were made. The first manager was George D. Lyman, then teller in the Bank of



THE NEW YORK CLEARING HOUSE BUILDING.

From a photograph (copyrighted, 1894) belonging to Moses King, New York.

North America ; he was succeeded by William A. Camp, who resigned in 1892, and was succeeded by the present manager, William Sherer. Some years ago the associated banks secured the property in Cedar Street, on which the present Clearing House is situated.

The operation of "clearing" takes place in a large and well-lighted hall, and is exceedingly simple.

ing, at which hour the operation of "clearing" begins. Each Delivery Clerk, upon arrival, presents to the Manager a credit ticket, showing the amount of exchanges brought by his bank. This ticket is handed to one of the Manager's staff, who enters the amount on a proof sheet.

The Manager now takes his position on a raised platform and strikes a gong. This is a signal for every



WILLIAM SHERER.

MANAGER OF THE NEW YORK CLEARING HOUSE.

Each bank member of the Association sends daily to the Clearing House two clerks, one called a "delivery" clerk, corresponding to the old-style messenger, and the other the "settling" clerk. It is the duty of the Delivery Clerk to distribute the exchanges or checks, and that of the Settling Clerk to receive the exchanges or checks from the Delivery Clerk. These clerks assemble a few minutes before ten o'clock each morn-

ing, at which hour the operation of "clearing" begins. Each Delivery Clerk, upon arrival, presents to the Manager a credit ticket, showing the amount of exchanges brought by his bank. This ticket is handed to one of the Manager's staff, who enters the amount on a proof sheet.

The Manager now takes his position on a raised platform and strikes a gong. This is a signal for every one to get ready. The Settling Clerks sit down at their desks and prepare their settling sheets. The Delivery Clerks get ready to make their round of visits to the settling desks. The Manager strikes the gong again, and the operation begins.

Each Delivery Clerk now advances to the first desk, at which he delivers his exchanges. The Settling Clerk, upon receipt of the exchange, receipts for it and enters it on his settling

sheet opposite the name of the bank from which he has received it. The Delivery Clerk then advances to the next desk, and the same transaction takes place until every bank has been visited and the Delivery Clerk has returned to the desk occupied by his own bank. While he was making his round his bank has been visited by every other Delivery Clerk.

The entire operation takes about ten minutes, and during that time what has taken place? All the exchanges have been made, and each Settling Clerk has entered on his sheet, opposite the name of the bank, the various exchanges he has received, thus having a record on his sheet of the amount brought and the amount received from each bank. It would be impossible to conceive a more perfect, more accurate, or more rapid system. During these ten minutes over four thousand packages of checks have been distributed and re-



W. J. GILPIN.

ASSISTANT MANAGER NEW YORK CLEARING HOUSE.

ceived for by a method that almost excludes the possibility of loss or error. The same work on the old plan occupied each messenger or Delivery Clerk many hours each day, and was attended by great risks in going from one bank to another. The Delivery Clerk now receives the exchanges left at his desk from the other banks, counts the number of packages, and compares them with the Settling Clerk's sheet, and, if correct, takes them to his bank.

The Settling Clerk remains to make proofs. He

adds up the aggregate he has received from the various banks, and then makes a ticket called Debit Ticket, which is sent to the Proof Clerk on the platform, who has already entered upon his sheet (the Clearing House Proof) the first amount from the credit ticket opposite the name of the bank, thus making the aggregate amount of all the exchanges brought to the Clearing House.

New York Clearing House.	No. 74.		New York Clearing House.	
			189	
	Debit Chase National Bank, Amt. rec'd, \$			
	Credit	" " " brought, \$		
	\$		<i>Debit Balance Due Clearing House.</i>	
Cr. bal. due Chase National Bank, \$				<i>Settling Clerk.</i>

DEBIT AND CREDIT TICKET IN USE IN THE CLEARING HOUSE.

The Debit Tickets are entered as they are sent up to the Proof Clerk with the amounts brought and received, also the Debit and Credit, as the case may be ; thus when all the Debit Tickets are received by the Proof Clerk on the platform the amount brought and the amount received should correspond, as well as the balances.

While the proof is in progress each bank has received a small ticket from every other bank, with the amount of exchanges delivered to it, to check back by—as the exchanges have gone to the bank. This ticket ought to correct all errors in entry ; thus, if any Settling Clerk copies a wrong amount from his exchanges, the clerk by this ticket discovers the mistake by comparison with the original entry made on the settling sheet at the time of delivery, and *vice-versa*. So perfect is this system of alternate revision that an absolute proof is always made.

To further guard against error or carelessness on the part of the clerks, there is an elaborate system of fines, the imposing of which comes within

the province of the Manager. These fines are as follows :

Forty-five minutes from the hour of commencing—viz., ten o'clock A.M., will be allowed for a proof.

For all errors remaining undiscovered at 11.15 A.M. the fines will be doubled, and at twelve M. will be quadrupled.

1. All errors on the Credit side of the Settling Clerk's statement (*i.e.*, in the amount brought), whether of footing or entry, and all errors causing disagreement between the credit entries, the check tickets, and the exchange slips, each, \$3.

2. Errors in making the Debit (*i.e.*, the amount received) entries, each, \$2.

3. Errors in the tickets reported to the Clearing House, causing disagreement between the balances and aggregate, each, \$2.

4. Errors in footing the amount received, \$1.

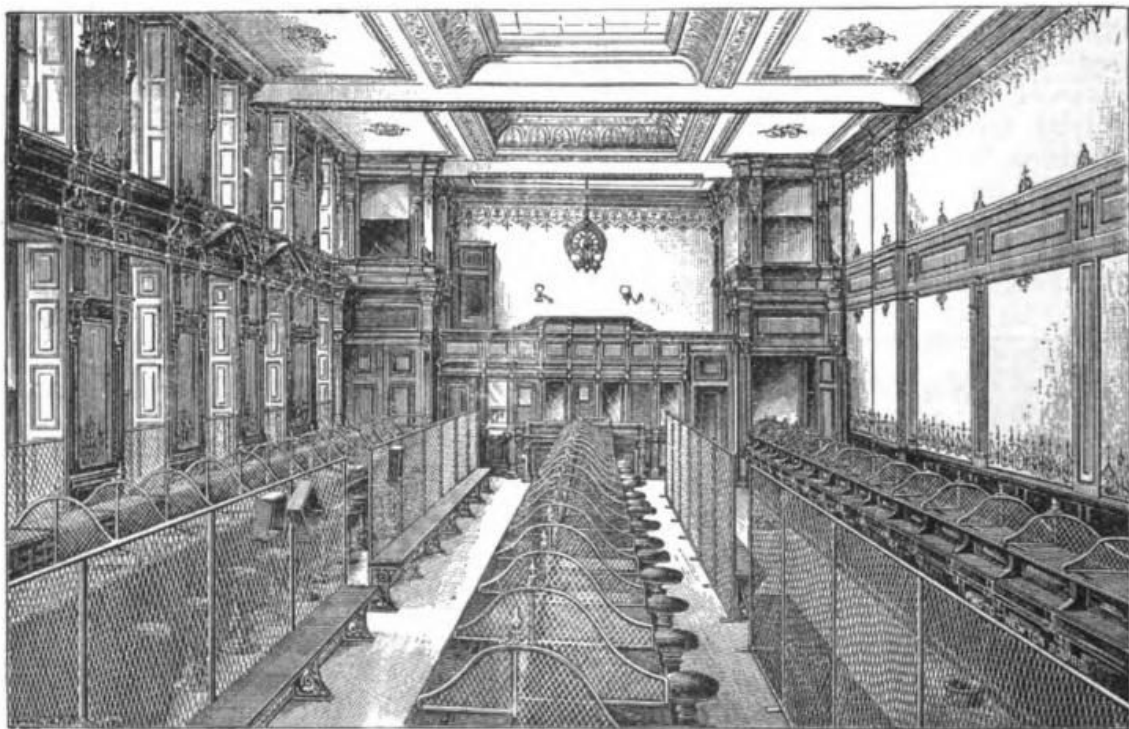
5. Disorderly conduct of Clerk or Delivery Clerk at the Clearing House, or disregard of the Manager's instructions, each offence, \$2.

6. Clerk or Delivery Clerk failing to attend punctually, with statements and tickets complete, at the morning exchanges, each, \$2.

7. Debtor banks, failing to appear to pay their balances before 1.30 P.M., \$3.

8. Errors in delivery or receipt of exchanges, each, \$1.

The Manager is the Executive of the Clearing House. He superin-



CLEARING ROOM OF THE NEW YORK CLEARING HOUSE.

tends all the business transacted, and has under his orders the clerks of the establishment, as well as the Settling Clerks and Delivery Clerks of the associated banks while they are at the Clearing House. He also prepares and publishes the weekly Bank statement, the keeping of the records, and he acts as Recording Secretary to all the committees that meet at the Clearing House. William Sherer, the present Manager, was born at Brandenburg, Ky., in 1837. At the age of eighteen he joined the staff of the Metropolitan Bank, New York, and after serving there eight years went to the United States Sub-Treasury, in this city, where he stayed twenty-five years. He was appointed Assistant Manager of the Clearing House in 1888, and succeeded Mr. Camp in 1892. Mr. William J. Gilpin, the present Assistant Manager, was appointed clerk in 1887 and Assistant Manager in 1892.

The power of expelling any bank from the Association is decided by vote. At the present time it takes a vote of thirty-four to expel. When a bank becomes a member of the Clearing House Association it receives a number, by which it is identified. This number serves in place of a name, and it is so extensively used that many banks endorse their exchanges merely by the stamp of their Clearing House number.

In times of great money stringency and commercial panic the New York Clearing House plays an important part. At such times as these securities fall in value, capital is timid, the collection of debts becomes difficult, and commercial houses fail. Timid depositors hasten to withdraw their deposits, and individual banks, when their funds are exhausted, are either forced to realize on their securities, which they may be unable to do without incurring great loss, or temporarily suspend payment, which, of course, is disastrous. It is at such critical moments as these that the Clearing House has made money out of the paper assets of the banks, and thus enabled many of its members to meet

their daily cash obligations without loss of credit. This money is called Clearing House Certificates. When a bank to whom these certificates have been issued comes into possession of sufficient cash to meet its daily obligations, it notifies the Clearing House that it desires to redeem them. Thereupon a general notice is issued to all the banks to present certificates numbered so-and-so at the Clearing House, and that interest thereon will cease. The first time the Clearing House issued certificates was in 1860, and the amount of the issue was \$7,375,000. The following year it issued \$22,585,000; in 1863, \$11,471,000; in 1864, \$17,728,000; in 1873, \$26,565,000; in 1884, \$24,915,000; in 1890, \$16,645,000; in 1893, \$41,490,000. Since 1860, therefore, there has been an aggregate issue of over \$168,000,000, which has all been redeemed without the loss of a single cent. The benefit to the community of this arrangement is obvious. Instead of each individual bank being left alone in times of panic to weather the storm, all the banks stand together, one propping up the other, and thus forming a bulwark that no panic can tear down. The system has also aided the Government in time of war. It was the gold of the New York Clearing House that aided the United States Government to carry on its operations in 1860 and 1861, when the outlook for the Federal forces looked darkest. One bank alone could not have done this, but the associated banks could do it, and will do it again should the emergency arise.

The new building of the New York Clearing House is a handsome structure of white marble in Italian Renaissance. The clearing room is 60 feet square, with two extensions or wings, making the greatest length 80 feet. The ceiling is a dome rising 25 feet above the 80-foot wall. It is panelled in fireproof staff in Roman Renaissance style, and the walls have pilasters of a Corinthian order supporting the cornice and dome. The large floor is occupied by the sixty-six desks.

Probably the most interesting part of the building is the basement, where the money vaults are being constructed. They are not yet ready, and all the money of the Clearing House is deposited with one of the outside deposit companies. When it is taken into consideration that since the Clearing House was first organized, the money which has passed through it exceeds one trillion, seventy-three and one half billion dollars, it is not surprising that extraordinary measures have been taken in order to make the money vaults of the new building absolutely safe. The three large vaults now being made are of the most perfect modern construction, of welded-steel and iron-laminated compound plates, which combine drill-proof-tempered steel with the tough-

est fibrous iron to resist explosive forces. These steel cells will be surrounded by an open space for patrol by armed watchmen, who will have a clear view not only of the sides, but also of the top and bottom of the vaults. There is also an elaborate and secret system of defence against attack by force, such as an armed mob, and both electricity and steam will be utilized as new ways of defence and of giving alarm.

The sixty-six Clearing House banks have an aggregate capital of \$61,122,700 and a surplus of \$72,889,000. It is, therefore, not surprising that membership in the New York Clearing House is in itself the highest certificate of solvency and stability.

E. Burton Stewart.

MEADOW MINSTRELSY.

WHEN sonsy daisies bloom 'mid clover blows,
And flower-de-luce broods by the meadow brook,
Fair buttercups bow worshipful before
The last pale violets in some late nook :
With pensive air a saucy bobolink
Swings on an alder, 'gainst the azure sky
A shining silhouette ; he softly sings
Of waters bright that purl and ripple by :
I half suspect, so sad his roundelay,
It is a dirge, a sweet farewell to May.

He soars above the gently waving reeds
With gleaming wings that swiftly rise and fall ;
Then o'er the fragrant fields, in circling flight
He woos the silv'ry milkweeds by the wall ;
A yellow primrose bends beneath his weight,
And there he sways and trills so wondrously,
So long and clear, as if the golden gates
Of melody were loosed and warbling he,
Led on with notes like crystal bells atune ;
Gay mendicant, he's pleading praise of June.

Nellie H. Chapman.